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DIRECTORATE OF  
INTELLIGENCE

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COMMUNIST CHINA: There are signs that Peking's unstable leadership coalition is involved in additional disputes.

In the past year two and possibly three important members of the Chinese politburo have been purged amid indications of continuing disputes over the pace and direction of the rebuilding of China's party and governmental apparatus. Now these internecine disputes may have spilled over into foreign policy matters. Authoritative attention has been directed at a new "quotation" of Chairman Mao branding any reluctance to help North Vietnam as "mutiny and betrayal of the revolution." This is extremely strong language; such a reference attributed to Mao has not been seen since the height of the Cultural Revolution.

It is not clear what precisely is at issue in Peking, although aid to Hanoi is unquestionably a factor in the present dispute. It is unlikely that the Chinese are contemplating a sharp reversal of their long-standing policy of caution with respect to the war in Indochina, however. Chou's speeches in Hanoi, the joint communiqué issued at the end of the visit, and ancillary propaganda material emanating from Peking all strongly suggest that the Chinese expect the "three Indochinese peoples" to continue to bear the brunt of the fighting so long as allied operations in the peninsula retain their present scope and character. Moreover, when Indochina was last a subject of dispute in Peking, at the start of the Cultural Revolution in 1965-66, Mao argued strongly against a "forward" policy of direct involvement in the struggle, and it does not seem likely that he has entirely changed his mind now.

Chou's statements and Chinese propaganda, however, have raised the specter of a greater Chinese commitment to the war if it should expand further,

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and the apparent dispute in Peking may revolve around this question and whether such an expansion would be a threat to China's security. The Chinese may be considering and presumably discussing with Hanoi such contingencies as the dispatch of troops to North Vietnam in the event South Vietnamese or US troops either push north in Laos or invade North Vietnam itself--or in anticipation of such allied moves. There are indications that President Thieu's recent statements on carrying the war to the North, coupled with allied activity near the DMZ and off the coast of North Vietnam, have created apprehensions in Hanoi, and the North Vietnamese may have asked the Chinese where they stood in these circumstances. The debate in Peking may be over the question of how to respond. In any event, the issue appears to involve future contingencies rather than immediate moves on the part of the Chinese.

It may be also that the foreign policy aspect of the presumed debate in Peking has compounded existing antagonisms within the politburo. There have been no previous indications of a foreign policy debate in recent Chinese propaganda, and the purges within the politburo long antedate the present allied operations in Laos. Thus, any disputes among the Chinese leadership almost certainly involve domestic issues as well. It is apparent that some form of "China first" argument has been put forward, but it is unclear whether Mao's strictures are directed against so-called "radicals" or his more conservative associates, since either group might have reason to argue against foreign "adventures."



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PAKISTAN: The government has not yet taken any action to interfere with East Pakistan's increasing drift toward de facto independence.

President Yahya Khan apparently still plans to meet East Pakistani leader Mujibur Rahman to seek a political solution, but no date has yet been set for his announced trip to East Pakistan.

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In East Pakistan, attempts to interfere with military movements and to deny supplies to the military could develop into a confrontation. Several army supply convoys have been stopped by crowds, but so far the army has refrained from responding with force. The navy has been refused bunkering facilities by distributors under pressure from the Awami League. The government has declared that such acts are punishable, but has yet to take any action.

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PORTUGAL: The recent sabotage at a Portuguese Air Force base near Lisbon may result in greater efforts by right-wingers to limit Prime Minister Caetano's maneuverability to undertake gradual reforms.

A group calling itself Armed Revolutionary Action (ARA) has claimed credit for the explosions on 8 March that destroyed one troop-carrying helicopter and six Alouette-III helicopters and damaged an unspecified number of other aircraft. The ARA is a radical, anticolonialist group whose ultimate goal is a popular armed insurrection against "fascist dictatorships." Ties--if any--with other radical groups have not been established.

The ARA has claimed responsibility for three other bombing incidents last fall. The targets, apparently selected in part for their symbolic nature, included a school for the Portuguese secret police, a dock where equipment and war material destined for Africa were loaded, and the USIS cultural center in Lisbon. The defense attaché in Lisbon states that the ARA has established itself as a highly organized, disciplined group.

The helicopter losses represent a setback for the Portuguese Air Force at a time when it has been expanding helicopter pilot training. In the past year or so, Lisbon has put increasing emphasis on helicopters as a key weapon in combating insurgency in its African colonies.

Right-wing groups in Portugal have already succeeded in retarding Caetano's moves toward liberalization, a key element of which is the effort to give greater autonomy to the overseas territories. These rightists, whose ranks include military officers and some businessmen and political leaders under former prime minister Salazar, will doubtless

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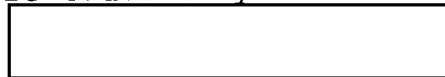
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use the ARA's audacious attack to renew their attempts to slow down Caetano's reform efforts. Although Caetano has shown in various ways that he is no longer in Salazar's shadow, he is still dependent on the support of conservative elements. He might feel that he must move even more cautiously in implementing his reform program.



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SWEDEN: The government has decided to cut the Gordian knot in its relations with its employees by canceling all lockouts now in effect and ordering strikers back to work by the end of the week.

Under the terms of the emergency powers act approved by Parliament yesterday, all strikes and lockouts would be terminated for six weeks or until a new collective agreement is concluded, whichever occurs first. Only 12,000 civil servants have gone out on strike since its beginning on 1 February, with another 35,000 locked out, but the government had threatened to increase pressure on the recalcitrant unions by instituting an unprecedented lockout of most of the armed forces officer corps. The military lockout was postponed a week as a gesture to get the unions back to the bargaining table, but when this failed, resort to an enforced cooling-off period was the only alternative.

The civil servants' unions have condemned the government's intervention as a setback to civil rights and liberties and have threatened to boycott any mediation efforts. The national federation of labor, however, has announced its support for the government's course of action and has accused the civil servants of subverting the national goal of greater wage equality. Finding little or no sympathy either among labor or the general public and facing the full power of the government, the civil servants will probably go back to work.

The government, with only a minority in Parliament, had to turn to the opposition bourgeois parties for support of its emergency powers bill, which passed by a lopsided majority. Even so, leaders of the center and right groups sharply criticized the government for creating a situation which made such action necessary. Only the Communists opposed the bill as a group, but there are no signs that they will reconsider their vow not to topple a socialist government from power.



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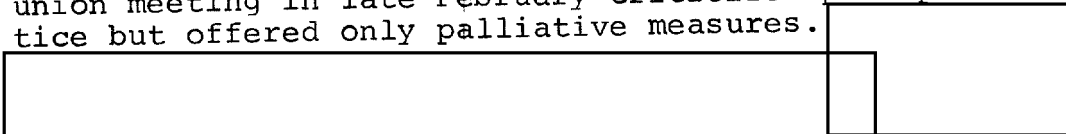
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**BULGARIA:** A shake-up in the leadership of the Central Council of Trade Unions is intended to improve control over the unions, a response in part to recent developments in Poland.

The changes made on 9 March include the demotion of the council's chairman, replacement of all the secretaries, and a reshuffling of the executive bureau. The party's control of the trade union apparatus will be tightened by the appointment of alternate politburo member Kostadin Gyaurov as the new trade union boss. He replaces Roza Koritarova, who was demoted to a newly created slot of deputy chairman. The appointment of Stoil Khristov, the deputy chief of the party's organizational department with responsibility for cadre appointments, as one of the new trade union secretaries may signal further personnel shifts at the lower trade union levels. Another newly appointed secretary has long served in the central apparatus of the youth organization, suggesting that the party desires to increase communication with young workers.

The changes undoubtedly are an outgrowth of the 15th plenum of the Central Council of Trade Unions in mid-February, where "concern for man" was cited by Roza Koritarova as one of the main functions of the trade unions. This concept reportedly was endorsed by party boss Todor Zhivkov in a speech to party workers on 17 February. Another motive for the changes may be to show the party's concern for workers by rejuvenating the trade union leadership, a move which in fact is still little more than cosmetic.

There is some evidence that the trade union leadership shifts were planned as early as January, but may have been delayed pending a clarification of the labor situation in Poland, where a trade union meeting in late February criticized past practice but offered only palliative measures.



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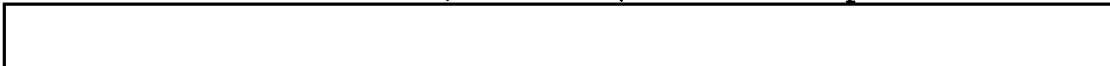
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POLAND: Meat remains in short supply despite continued attention to the problem by the leadership.

The selection of meat available for sale is limited and supplies at times are inadequate. This situation is expected to continue for several months, because procurement of meat from Polish farmers is running 20 percent behind last year's level.

Imports must take up the slack. Although the recent Soviet credit of \$100 million was extended apparently to finance adequate imports of meat, only small purchases have been made thus far from West Germany, Denmark, and Austria. The most pressing need for imports begins now and lasts until heavy slaughtering in September. Thus, only by quickly increasing imports or by sharply curtailing exports of pork and beef can the Polish regime hope to prevent a worsening of the meat supply situation in the coming weeks. Current plans calling for an eight-percent increase in per capita meat consumption this year appear to be unrealistic.

The politburo met Tuesday to review plans for the provision of food this year and approved a draft plan for development of livestock production in 1971-75. No details, however, were made public.



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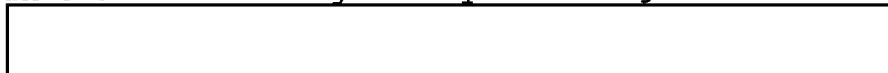
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JAPAN: Efforts by moderate labor leaders to form a new, non-Marxist labor movement are meeting increased resistance.

Extremist elements of Sohyo, Japan's largest, Marxist-dominated labor federation, acting in concert with Communist and Socialist party leaders, are intensifying efforts to undermine plans for the new labor federation, which is intended to form a base for a new, moderate opposition party. Formation of a pragmatic party with a broad labor base, which does not exist in Japan at present, could provide an effective vehicle for challenging the ruling conservatives' long hold on power.

The leftists seem to be shifting their tactics from boycotting unity efforts and instead are trying to sabotage from within. They played a key role in the recent ouster of the head of the postal workers' union, who was one of the top leaders of the labor reorganization movement. Subsequently the leftists managed to torpedo the long-planned formation of a unity preparatory committee by insisting on the inclusion of a member of the extreme left-wing metal workers' union, which was unacceptable to the moderates.

The steady success of moderate efforts until last month apparently gave the labor unity supporters a bad case of overconfidence, and they were caught off guard by the Marxists' change of tactics. The moderates, anxious to prevent their decade-long unity goal from being frustrated so close to realization, will probably wait until after the Upper House elections in June before vigorously renewing their campaign.



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JAPAN: Tokyo is moving to slow the growth of its balance-of-payments surplus, thereby alleviating possible international pressure for revaluation of the yen.

The government has agreed to make available foreign exchange from official reserves at low interest rates for import financing. This action is designed to stem the recent flow of US capital resulting from increased borrowing by Japanese traders who have been financing a greater portion of their transactions with US banks where interest rates are lower than those in Japan. According to the Japanese central bank, the flow of dollars from the US, which amounted to \$200 million in the last quarter of 1970, has grown even larger so far this year.

Rising Japanese exports and an upswing in bond purchases by foreigners still are expected to boost Japan's present official exchange reserves of \$5 billion by some \$1 billion at mid-year. A Japanese central bank official has reaffirmed other recent government statements that Tokyo is not considering currency revaluation despite further sharp increases in its balance-of-payments surplus.

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CARIBBEAN: The 11 members of the Caribbean Free Trade Association (CARIFTA) are seeking a special relationship with the European Communities (EC) to avoid possible loss of their privileged trade position with the UK.

These countries are concerned about maintaining some preferential arrangements for their sugar and banana exports, which may be jeopardized if Britain joins the EC. Commonwealth sugar arrangements are a major substantive issue in the UK-EC negotiations because some EC countries also are sugar exporters. Any sweeping change in the British trade preference system would deal a serious economic blow to the smaller islands because 60 to 80 percent of their exports benefit from it.

The UK's chief Common Market negotiator recently has indicated that a unified CARIFTA position would be advantageous. He suggested that CARIFTA might seek "outright association, conclusion of a trade agreement, or something less than a trade agreement." Guyana and Trinidad apparently favor a rather loose relationship with the Market, whereas the other members want actual association with it. The Council of Ministers of CARIFTA is meeting this week to work out a joint position.


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SYRIA: In a national referendum today, Hafiz Asad is to be confirmed as president of Syria. This is another move by the Syrian strongman--he earlier appointed a People's Council and made some "constitutional" changes--to broaden the popular appeal of his four-month-old regime. [REDACTED] some cabinet and other governmental changes will follow the election, but there is nothing to suggest a major departure from the less rigid approach to governing that has distinguished Asad from his more radical predecessors. [REDACTED]

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CHILE: The strict price controls imposed by the Allende government have sharply reduced cost-of-living increases. The consumer price index has risen only two percent thus far in 1971, compared with 12 percent for the same period last year. The Allende regime, like past governments, has paid particular attention to controlling the prices of goods in the index. Success in controlling prices, following the 45-percent wage readjustment granted earlier this year, will improve the regime's chances of winning a majority of votes in the municipal elections on 4 April. [REDACTED]

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TURKEY: The military commanders have reportedly decided to press their demands for political, social, and economic reforms, as yet unspecified, through the existing structure of government rather than through a direct military take-over. In taking this stand, the high command apparently is resisting strong pressures from lower-ranking officers who would prefer more direct action. A national coalition government may yet be formed, especially if Prime Minister Demirel is forced to resign. Demirel's departure probably would gain at least a brief interlude during which the civilian authorities could try to satisfy existing grievances within the military; however, the record of coalition government in Turkey gives little cause for optimism.

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